California Public Utilities Commission

Financial and Management Audit of Utility Public Goods Charge Energy Efficiency Programs from 1998 through 2002

REPORT FOR PUBLIC DISTRIBUTION

VOLUME II DETAILED AUDIT REPORT

submitted by blueConsulting, Inc. July 9, 2004

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Contact:

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		1. blueConsulting was retained to perform a financial and management audit of public goods charge collections and energy efficiency expenditures from 1998 through 2002	
		2. Significant delays were experienced in the receipt of information, which constrained the audit	
	B.	Summary of Audit Results	
		1. Electric rates were properly calculated by all utilities. As a result of sales fluctuations, billed non-CARE electric PGC revenues exceeded revenue requirements by \$55.3 million	
		2. In general, gas rates were properly calculated by all utilities; however, the utilities treat the gas surcharge differently. SDG&E and SCG treat the gas surcharge as an excise tax whereas PG&E treats it as revenue. Treatment of the surcharge as a tax exempts certain customers from the surcharge	
		3. Utility oversight and funds management controls are generally adequate; however, improvements are possible at all utilities, particularly in the areas of procurement and vendor oversight	
		4. With the possible exception of SCG's interest calculation, no material adjustments to recorded costs were identified by the audit; however, blueConsulting was unable to conclude a portion of the Sempra utilities' costs were properly accounted for due to limited supporting documentation. SCG's method for calculating interest charges and credits to the Conservation Expense Account (CEA) differs from the method used by SGD&E, and from the method used by SCG for other balancing accounts. Through August 2003, SCG recorded \$608,509 of interest in the CEA. Under a more traditional method, SCG would have recorded (\$7.4) million, a difference of (\$8.0) million	
		5. Administrative cost levels and the reporting of administrative costs varied considerably by utility as a result of differences in accounting and reporting systems, differences in what is included in the utilities' base rates, and limited written guidance regarding allowed energy efficiency expenditures or their classification	
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Appendix B: Selected Program Rules

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